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Business of Appealing Property Assessments Not Without Controversies

By TOM YORK - 10/26/2009

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Two Carlsbad property experts are finding that the crashing market for all classes of real estate is a boon for their business. But it's a business not without its critics, or controversies.

The partners, Wes Nichols and Robert Tague, run Paramount Property Tax Adjusters, which help property owners appeal assessments in the wake of plummeting values.

Ninety percent of the business is devoted to residential appeals and 10 percent to commercial appeals, including appeals involving the value of equipment and inventory.

Nichols says he's represented 10,000 residential clients in 2008 (before he began partnering with Tague earlier this year), and Tague says he currently represents 60 commercial owners.

The partners say they have obtained an average \$4,500 in refunds for commercial clients. In one case, they say they obtained an \$850,000 refund.

The firm charges \$95 plus 30 percent of the tax refund obtained on lower home assessments, and \$1,000 plus 30 percent of the tax refund on commercial buildings.

The average residential refund runs \$600, says Nichols, and he's on target to process up to 6,000 residential appeals this calendar year.

Nichols and Tague say they provide a mini-stimulus to the economy.

"When you give money back to the people ... many take that extra money and reinvest it," said Nichols.

To be sure, the industry niche is not without controversies. Legal authorities are not all that happy with many of Paramount's fly-by-night competitors, which number in the dozens, many with similar sounding names.

'Scam Alert'

State Attorney General Jerry Brown issued a "scam alert" in February warning consumers about companies like Paramount that charge for services that homeowners can do themselves. He said they were using "deceptive mailers" made to look like official government documents to market their services, and said that consumers should avoid their services.

Recently, Gov. Arnold Schwarzenegger signed into law A.B. 992, which addresses many of the abuses in the industry, such as charging fees regardless of the results.

However, Nichols says appeals can be more complicated than it first appears, and his business provides a valuable service.

Homeowners often encounter problems if they don't follow procedures exactly, Nichols says, such as coming up with the correct comparable declines in prices to prove their home's value has dropped.

"It's a lot of work," says Nichols. "And many clients don't have the time to do this by themselves."

Len Baron, an instructor in the business school at San Diego State University, agrees, and says it sometimes "makes sense" to use outside help in appealing an assessment.

He notes that a homeowner has to obtain comparable sales, which requires a call to a real estate broker, plus time required to evaluate recent comparable sales and list them on requisite forms.

"It's an hour's worth of time for a skilled person, so that could be a good deal," he said.

Still, critics say overall property values have fallen anyway, as values have slipped statewide, which has automatically resulted in lower assessments and tax bills.

For example, San Diego County Assessor/Recorder/County Clerk David L. Butler's office dropped the assessed value of 216,000 properties out of 225,000 countywide starting Jan. 1, resulting in an average \$1,130 reduction in taxes by June 30.

Overall, the value of property countywide declined 2.3 percent to \$400 billion.

Butler says he's familiar with Paramount, and doesn't object to what they do — "It's a free enterprise system."

But Butler says he does have issues with other companies "that have popped up overnight" with the questionable practices addressed by the new state legislation.

Butler concurs with Nichols and Baron that many homeowners are just too busy to handle an appeal in person.

"A lot of homeowners don't feel comfortable" with the process, said Butler.

Nichols, a former commercial mortgage banker, said he processed 10,000 residential applications in 2008, getting refunds in 90 percent of the appeals.

Paramount's commercial clients include Best Buy consumer electronics stores in California.

Complicated Appeals

Nichols notes that commercial appeals are more complicated and time-consuming.

The effort can require hiring a private appraiser and attorney, and each filing can take up to a year before a hearing is held and a decision is made.

Baron points out that many CPA firms, including the large national accounting firms such as Deloitte & Touche, and private appraisers, offer competing services.

He says owners should get three or four bids, since fees vary widely.

"You want the firm with the lowest fees but with the most experience," he said.

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